



20 December 2011

Senate Standing Committee on Economics
Parliament House
PO Box 6100
CANBERRA ACT 2600

Dear Committee Members

I write on behalf of the Aged and Community Services Association (ACSA) to draw your attention to the implications for not for profit aged care providers of the proposal in the *Superannuation Guarantee (Administration) Amendment Bill 2011* to increase the superannuation guarantee rate from 9% to 12%.

ACSA is the national peak body for aged and community care providers representing faith-based, charitable and community-based organisations providing residential and community care services, housing and supported accommodation to almost one million older people, younger people with a disability and their carers. We have approximately 1,000 members ranging from small, stand alone rural facilities to large, national organisations with multiple services.

ACSA wishes to put on the record its support for the proposed increase in the superannuation guarantee rate. Given trends in longevity, it is essential that public policy should be supporting individuals to secure sustainable incomes for later life to help Australians age well and with greater dignity.

However, ACSA is concerned that the increase in the superannuation guarantee rate will increase the cost of delivering aged care and support services. To appreciate the extent of this concern, it is necessary to understand the arrangements for setting prices for the delivery of aged care services.

Currently, the wages component of the price paid to providers for care (75% of the price) is indexed annually in line with Fair Work Australia's minimum wage adjustments, and the balance or non-wage component (25%) is indexed to the equivalent of the Consumer Price Index. The resulting indexation is substantially less than movements in Average Weekly Ordinary Time Earnings, the Labour Price Index for the health and community services sector and price changes as measured by the Consumer Price Index, and does not reflect price movements in the sector.

Prior to this, aged care prices have been subjected to a variety of short term and ad hoc indexation arrangements, none of which have been informed by any contemporary, independent and transparent analysis of the cost of providing quality aged care and support services. Mindful of this situation, the Productivity Commission has proposed in its report *Caring for Older Australians* that prices in future be set having regard to transparent analysis of costs and recommendations by an independent body.

Under current arrangements, the 3% increase in the superannuation guarantee rate will add to service delivery costs, but the additional costs will not be reflected in the wages component of the already inadequate indexation arrangements. As a consequence, providers will have to absorb the increase through productivity gains either by constraining wage increases or reducing staff levels.

With regard to the former, the sector's capacity to attract and retain quality staff is already under pressure because of the inability to offer competitive wages, especially in the critical area of nursing care where aged care nurses are paid significantly less than their public hospital counterparts. With regard to the latter, the potential for technology to increase productivity in aged care by reducing staffing levels cannot be assumed. As noted by the Productivity Commission in its recent report, most applications of technology adopted by aged care providers to date have acted to complement the workforce rather than substitute for it.

In summary, it will be very difficult under current pricing and indexation arrangements for not for profit aged care providers to offset the increase in the superannuation guarantee rate through productivity gains while continuing to meet regulated standards of quality care.

Against this background, and pending Government consideration of the Productivity Commission's proposals for independent and transparent processes for setting future aged care prices, ACSA urges the Committee to recommend appropriate supplementation for the not for profit aged care sector as part of the arrangements for the implementation of the higher superannuation guarantee rates.

ACSA notes that supplementation was included for aged care service providers when the superannuation guarantee was first introduced in the 1990s.

We would be pleased to discuss our concerns with the Committee if that would be useful.

Yours sincerely

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National President and Acting Chief Executive Officer